

**RED OAK  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008

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**RED OAK COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2007 Election)**

Charla Schmid	President	2008
Amy Thomas	Vice President	2008
Rod DeVries		2007
Elizabeth Dilley		2009
Lee Fellers		2007

**(After September, 2007 Election)**

Charla Schmid	President	2009
Lee Fellers	Vice President	2011
Rod DeVries		2009
Elizabeth Dilley		2009
Amy Thomas		2008

**School Officials**

Terry Schmidt	Superintendent
Karen Gutschenritter	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

To the Board of Education of  
Red Oak Community School District:

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Red Oak Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Red Oak Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of Red Oak Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Oak Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 24, 2009

## **RED OAK COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Red Oak Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,709,666 in fiscal year 2007 to \$11,244,223 in fiscal year 2008, while General Fund expenditures increased from \$10,978,123 in fiscal year 2007 to \$11,793,834 in fiscal year 2008.
- The increase in General Fund revenues was primarily due to local tax and state revenue increases. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District had a decrease of over \$500,000 in General Fund balance in fiscal 2008. Allowable growth of 4% or less is inadequate to maintain current programs without using existing reserves.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Red Oak Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Red Oak Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Red Oak Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Red Oak Community School District Annual Financial Report**

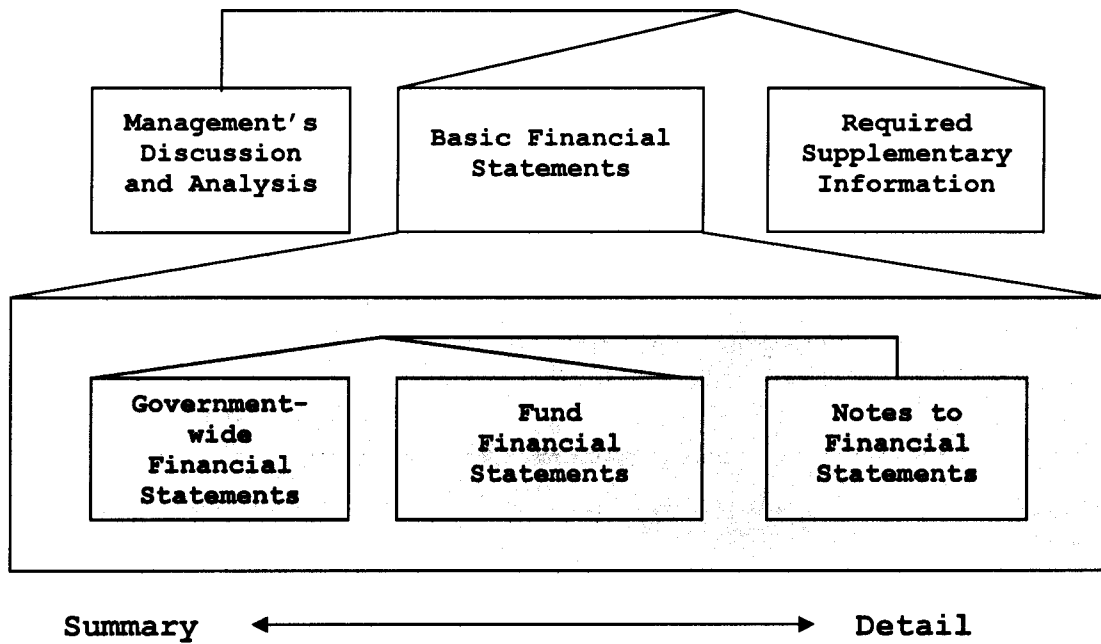


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Debt Service Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Enterprise Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 7,648	7,969	328	355	7,976	8,324	-4.18%
Capital assets	10,229	10,550	61	68	10,290	10,618	-3.09%
Total assets	17,877	18,519	389	423	18,266	18,942	-3.57%
Current liabilities	5,350	5,151	32	57	5,382	5,208	3.34%
Non-current liabilities	7,443	7,867	-	-	7,443	7,867	-5.39%
Total liabilities	12,793	13,018	32	57	12,825	13,075	-1.91%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	2,844	2,700	61	68	2,905	2,768	4.95%
Restricted	1,445	1,798	-	-	1,445	1,798	-19.63%
Unrestricted	795	1,003	296	298	1,091	1,301	-16.14%
Total net assets	\$ 5,084	5,501	357	366	5,441	5,867	-7.26%

The District's combined net assets decreased by over 7%, or approximately \$426,000 over the prior year. The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$210,000. This decrease in unrestricted net assets was a result of a decrease in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
<b>Revenues:</b>							
Program revenues:							
Charges for service and sales	\$ 197	189	204	236	401	425	-5.65%
Operating grants, contributions and restricted interest	2,182	2,009	330	296	2,512	2,305	8.98%
General revenues:							
Property tax	3,727	3,743	-	-	3,727	3,743	-0.43%
Income surtax	388	367	-	-	388	367	5.72%
Local option sales tax	748	765	-	-	748	765	-2.22%
Unrestricted state grants	5,548	5,380	-	-	5,548	5,380	3.12%
Unrestricted investment earnings	60	92	-	-	60	92	-34.78%
Other	43	78	-	-	43	78	44.87%
Total revenues	<u>12,893</u>	<u>12,623</u>	<u>534</u>	<u>532</u>	<u>13,427</u>	<u>13,155</u>	<u>2.07%</u>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	8,159	7,471	-	-	8,159	7,471	9.21%
Support Services	3,695	3,520	-	-	3,695	3,520	4.97%
Non-instructional programs	-	-	544	462	544	462	17.75%
Other expenses	<u>1,457</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>1,457</u>	<u>1,261</u>	<u>15.54%</u>
Total expenses	<u>13,311</u>	<u>12,252</u>	<u>544</u>	<u>462</u>	<u>13,855</u>	<u>12,714</u>	<u>8.97%</u>
Change in net assets	\$ <u>(418)</u>	<u>371</u>	<u>(10)</u>	<u>70</u>	<u>(428)</u>	<u>441</u>	<u>-197.05%</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$12,893,029 and expenses were \$13,310,896.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
Total Cost of Services			Net Cost of Services			
2008	2007	Change 2007-08	2008	2007	Change 2007-08	
Instruction	\$ 8,159	7,471	9.21%	6,317	5,820	8.54%
Support Services	3,695	3,520	4.97%	3,610	3,406	5.99%
Other expenses	<u>1,457</u>	<u>1,261</u>	<u>15.54%</u>	<u>1,005</u>	<u>827</u>	<u>21.52%</u>
Totals	<u>\$ 13,311</u>	<u>12,252</u>	<u>8.64%</u>	<u>10,932</u>	<u>10,053</u>	<u>8.74%</u>

- The cost financed by users of the District's programs was \$197,243.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,311,227.
- The net cost of governmental activities was financed with \$3,727,199 in property taxes and \$5,548,327 in unrestricted state grants.

#### **Business Type Activities**

Revenues for business type activities were \$534,225 and expenses were \$544,087. The District's business type activities include the School Nutrition Fund and Enterprise Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, Red Oak Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,985,361, a twenty-two percent decrease under last year's ending fund balances of \$2,548,261. The decrease in the General Fund accounted for most of the change.

#### **Governmental Fund Highlights**

- The District's declining General Fund financial position is the result of several factors. The District has carefully monitored spending to avoid decreases in fund balances; however, uncertain funding from state and federal governments has made this difficult. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Capital Projects Fund is being used primarily for property tax relief through payment of General Obligation bonds using local option sales tax funds rather than property taxes.

#### **Proprietary Fund Highlights**

The School Nutrition Fund balance decreased approximately \$10,000 during the fiscal year ending June 30, 2008. This was primarily a result of cost increases for transportation and food throughout the year.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$381,643 less than budgeted receipts, a variance of 3%. This variance resulted from the District receiving less state source revenue than anticipated.

Total expenditures were greater than budgeted. Expenditures in all areas were higher than anticipated. The General Fund had the highest difference from anticipated expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$10,289,670, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$462,433.

The original cost of the District's capital assets was \$15,898,819. Governmental funds account for \$15,631,947, with the remainder of \$266,872 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment category. The District spent \$133,783 on fixed assets during the year.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 179	179	-	-	179	179	0.00%
Buildings	9,794	9,992	-	-	9,794	9,992	-1.98%
Furniture and equipment	256	379	61	68	317	447	-29.08%
Totals	<u>\$ 10,229</u>	<u>10,550</u>	<u>61</u>	<u>68</u>	<u>10,290</u>	<u>10,618</u>	<u>-3.09%</u>

#### **Long-term Debt**

The District has outstanding debt of \$7,385,000 for a new elementary school and additions to other buildings. The bonds will be paid off in the year 2020. Proceeds of the local option sales tax are being used to make payments on the debt, thus lessening the amount of property tax levied.

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The District receives local option sales tax money from all counties included in the District. These funds are being used for debt reduction resulting in property tax relief for the taxpayers. The District also uses proceeds from the voted portion of the Physical Plant and Equipment Levy for debt reductions.
- Allowable growth as set by the Legislature is inadequate for the District to maintain its current programs without dipping into existing reserves.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Maxwell, District Secretary, Red Oak Community School District, 904 Broad Street, Red Oak, Iowa 51566.

## **Basic Financial Statements**

## RED OAK COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,786,474	319,818	3,106,292
Receivables:			
Property tax:			
Current year	63,630	-	63,630
Succeeding year	3,958,928	-	3,958,928
Income surtaxes	340,672	-	340,672
Due from other governments	240,278	-	240,278
Other receivables	258,123	-	258,123
Inventories	-	8,783	8,783
Capital assets, net of accumulated depreciation (note 3)	10,228,915	60,755	10,289,670
<b>Total assets</b>	<u>17,877,020</u>	<u>389,356</u>	<u>18,266,376</u>
<b>Liabilities</b>			
Accounts payable	101,829	-	101,829
Accrued salary and benefits	1,188,520	32,493	1,221,013
Accrued interest payable	27,484	-	27,484
Deferred revenue:			
Federal programs	72,795	-	72,795
Succeeding year property tax	3,958,928	-	3,958,928
Long term liabilities:			
Portion due within one year:			
Bonds payable	475,000	-	475,000
Early retirement	58,426	-	58,426
Portion due after one year:			
Bonds payable	6,910,000	-	6,910,000
<b>Total liabilities</b>	<u>12,792,982</u>	<u>32,493</u>	<u>12,825,475</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,843,915	60,755	2,904,670
Restricted for:			
Management fund	65,850	-	65,850
Physical plant and equipment levy	903,837	-	903,837
Capital projects	475,228	-	475,228
Unrestricted	795,208	296,108	1,091,316
<b>Total net assets</b>	<u>\$ 5,084,038</u>	<u>356,863</u>	<u>5,440,901</u>

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 8,158,690	177,725	1,663,687	(6,317,278)	-	(6,317,278)
Support services:						
Student services	361,392	-	-	(361,392)	-	(361,392)
Instructional staff services	493,219	-	-	(493,219)	-	(493,219)
Administration services	1,153,220	-	-	(1,153,220)	-	(1,153,220)
Operation and maintenance of plant services	1,114,341	-	65,668	(1,048,673)	-	(1,048,673)
Transportation services	573,318	19,518	-	(553,800)	-	(553,800)
	3,695,490	19,518	65,668	(3,610,304)	-	(3,610,304)
Non-instructional programs						
Other expenditures:						
Facilities acquisition and construction	250,348	-	4,992	(245,356)	-	(245,356)
Long-term debt interest	345,582	-	-	(345,582)	-	(345,582)
Long-term debt services	475	-	-	(475)	-	(475)
AEA flowthrough	447,347	-	447,347	-	-	-
Depreciation (unallocated)*	412,964	-	-	(412,964)	-	(412,964)
	1,456,716	-	452,339	(1,004,377)	-	(1,004,377)
Total governmental activities	13,310,896	197,243	2,181,694	(10,931,959)	-	(10,931,959)



RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	535,661	196,907	329,552	-	(9,202)	(9,202)
Enterprise	8,426	6,872	894	-	(660)	(660)
Total	\$ 13,854,983	401,022	2,512,140	(10,931,959)	(9,862)	(10,941,821)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,564,340	-	3,564,340
Management fund				74,567	-	74,567
Capital outlay				88,292	-	88,292
Income surtaxes				387,614	-	387,614
Local option sales tax				747,952	-	747,952
Unrestricted state grants				5,548,327	-	5,548,327
Unrestricted investment earnings				60,074	-	60,074
Other				42,926	-	42,926
Total general revenues				10,514,092	-	10,514,092
Change in net assets				(417,867)	(9,862)	(427,729)
Net assets beginning of year				5,501,905	366,725	5,868,630
Net assets end of year				\$ 5,084,038	356,863	5,440,901

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	<b>Assets</b>					<b>Liabilities and Fund Balances</b>				
	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total				
Cash and pooled investments	\$ 1,343,097	181,033	125,066	902,328	234,950	2,786,474				
Receivables:										
Property tax:										
Current year	60,848	-	1,273	1,509	-	63,630				
Succeeding year	3,548,689	-	300,000	110,239	-	3,958,928				
Income surtax - succeeding year	-	-	-	340,672	-	340,672				
Due from other governments	-	-	-	-	240,278	240,278				
Other receivables	258,123	-	-	-	-	258,123				
<b>Total assets</b>	<u>5,210,757</u>	<u>181,033</u>	<u>426,339</u>	<u>1,354,748</u>	<u>475,228</u>	<u>7,648,105</u>				
Liabilities:										
Accounts payable	99,766	-	2,063	-	-	101,829				
Accrued salary and benefits	1,188,520	-	-	-	-	1,188,520				
Deferred revenue:										
Federal programs	72,795	-	-	-	-	72,795				
Succeeding year property tax	3,548,689	-	300,000	110,239	-	3,958,928				
Income surtax - succeeding year	-	-	-	340,672	-	340,672				
Total liabilities	<u>4,909,770</u>	<u>-</u>	<u>302,063</u>	<u>450,911</u>	<u>-</u>	<u>5,662,744</u>				
Fund balances:										
Reserved for capital projects	-	-	-	-	475,228	475,228				
Unreserved	300,987	181,033	124,276	903,837	-	1,510,133				
Total fund balances	<u>300,987</u>	<u>181,033</u>	<u>124,276</u>	<u>903,837</u>	<u>475,228</u>	<u>1,985,361</u>				
<b>Total liabilities and fund balances</b>	<u>\$ 5,210,757</u>	<u>181,033</u>	<u>426,339</u>	<u>1,354,748</u>	<u>475,228</u>	<u>7,648,105</u>				

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2008

<b>Total fund balances of governmental funds (Exhibit C)</b>			\$ 1,985,361
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>			
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			340,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			10,228,915
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(27,484)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
General obligation bonds	\$ (7,385,000)		
Early retirement	(58,426)	(7,443,426)	
<b>Net assets of governmental activities (Exhibit A)</b>			<u>\$ 5,084,038</u>

## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 3,564,340	-	74,567	435,234	747,952	-	4,822,093
Tuition	155,224	-	-	-	-	-	155,224
Other	217,708	271,939	22,126	43,431	4,991	-	560,195
State sources	6,836,621	-	51	60	-	-	6,836,732
Federal sources	470,330	-	-	-	-	-	470,330
Total revenues	11,244,223	271,939	96,744	478,725	752,943	-	12,844,574
Expenditures:							
Instruction:	7,847,513	251,449	18,323	-	-	-	8,117,285
Support services:							
Student services	361,392	-	-	-	-	-	361,392
Instructional staff services	555,612	-	-	-	-	-	555,612
Administration services	1,079,971	-	73,249	-	-	-	1,153,220
Operation and maintenance of plant services	1,065,145	-	49,196	-	-	-	1,114,341
Transportation services	436,854	-	19,513	75,610	-	-	531,977
	3,498,974	-	141,958	75,610	-	-	3,716,542

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction	-	-	-	321,210	-	-	321,210
Long-term debt:							
Principal	-	-	-	-	-	465,000	465,000
Interest	-	-	-	-	-	347,398	347,398
Services	-	-	-	-	-	475	475
AEA flowthrough	447,347	-	-	-	-	-	447,347
	447,347	-	-	321,210	-	812,873	1,581,430
Total expenditures	11,793,834	251,449	160,281	396,820	-	812,873	13,415,257
Excess (deficiency) of revenues over (under) expenditures	(549,611)	20,490	(63,537)	81,905	752,943	(812,873)	(570,683)
Other financing sources (uses):							
Sale of equipment	7,783	-	-	-	-	-	7,783
Operating transfers in	-	-	-	-	-	812,873	812,873
Operating transfers out	-	-	-	(162,873)	(650,000)	-	(812,873)
	7,783	-	-	(162,873)	(650,000)	812,873	7,783
Change in fund balances	(541,828)	20,490	(63,537)	(80,968)	102,943	-	(562,900)
Fund balances beginning of year	842,815	160,543	187,813	984,805	372,285	-	2,548,261
Fund balances end of year	\$ 300,987	181,033	124,276	903,837	475,228	-	1,985,361

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (562,900)

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 40,672

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 133,255	
Depreciation expense	<u>(454,305)</u>	(321,050)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 465,000

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(58,426)	
Payments	<u>17,021</u>	(41,405)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,816

**Change in net assets of governmental activities (Exhibit B)** \$ (417,867)

## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2008

	<u>School Nutrition</u>	<u>Enterprise</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 308,863	10,955	319,818
Inventories	8,783	-	8,783
Capital assets, net of accumulated depreciation	<u>60,755</u>	<u>-</u>	<u>60,755</u>
<b>Total assets</b>	<u>378,401</u>	<u>10,955</u>	<u>389,356</u>
<b>Liabilities</b>			
Accounts payable	-	-	-
Accrued salary and benefits	<u>32,493</u>	<u>-</u>	<u>32,493</u>
<b>Total liabilities</b>	<u>32,493</u>	<u>-</u>	<u>32,493</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	60,755	-	60,755
Unrestricted	<u>285,153</u>	<u>10,955</u>	<u>296,108</u>
<b>Total net assets</b>	<u>\$ 345,908</u>	<u>10,955</u>	<u>356,863</u>

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2008

	School Nutrition	Enterprise	Total
Operating revenue:			
Local sources:			
Charges for services	\$ 196,907	6,872	203,779
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	247,125	-	247,125
Benefits	30,887	-	30,887
Services	10,402	-	10,402
Supplies	239,119	-	239,119
Depreciation	8,128	-	8,128
	535,661	-	535,661
Other enterprise operations:			
Services	-	8,426	8,426
Total operating expenses	535,661	8,426	544,087
Operating (loss)	(338,754)	(1,554)	(340,308)
Non-operating revenues:			
Interest on investments	12,638	894	13,532
State sources	6,243	-	6,243
Federal sources	310,671	-	310,671
	329,552	894	330,446
Change in net assets	(9,202)	(660)	(9,862)
Net assets beginning of year	355,110	11,615	366,725
Net assets end of year	\$ 345,908	10,955	356,863

See notes to financial statements.



## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2008

	School Nutrition	Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 196,907	6,872	203,779
Cash payments to employees for services	(298,134)	-	(298,134)
Cash payments to suppliers for goods or services	(222,516)	(12,282)	(234,798)
Net cash provided by (used in) operating activities	(323,743)	(5,410)	(329,153)
Cash flows from non-capital financing activities:			
State grants received	6,243	-	6,243
Federal grants received	283,253	-	283,253
Net cash provided by non-capital financing activities	289,496	-	289,496
Cash flows from capital financing activities:			
Acquisition of fixed assets	(528)	-	(528)
Cash flows from investing activities:			
Interest on investments	12,638	894	13,532
Net increase (decrease) in cash and cash equivalents	(22,137)	(4,516)	(26,653)
Cash and cash equivalents beginning of year	331,000	15,471	346,471
Cash and cash equivalents end of year	\$ 308,863	10,955	319,818
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating (loss)	\$ (338,754)	(1,554)	(340,308)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,128	-	8,128
Commodities used	27,418	-	27,418
(Increase) in inventory	(413)	-	(413)
(Decrease) in accounts payable	-	(3,856)	(3,856)
Increase in accrued payroll and benefits	25,047	-	25,047
	\$ (278,574)	(5,410)	(283,984)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$27,418.

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts
<b>Assets</b>	
Cash	\$ 205,848
<b>Total assets</b>	<u>205,848</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>205,848</u>
<b>Total net assets</b>	<u>\$ 205,848</u>

See notes to financial statements.

## RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Miscellaneous	\$ 10,084
Deductions:	
Instruction:	
Scholarships awarded	<u>6,099</u>
Change in net assets	3,985
Net assets beginning of year	<u>201,863</u>
Net assets end of year	<u><u>\$ 205,848</u></u>

See notes to financial statements.

# RED OAK COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### (1) Summary of Significant Accounting Policies

Red Oak Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Red Oak, Iowa, and agricultural territory in Montgomery, Page and Pottawattamie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Red Oak Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Red Oak Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the School Nutrition and Enterprise Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Enterprise Fund is used to account for a student operated business.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amended amounts budgeted in the instruction, non-instructional programs and other expenditures functions.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had no investments.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 179,360	-	-	179,360
Capital assets being depreciated:				
Buildings	13,799,041	54,990	-	13,854,031
Furniture and Equipment	1,520,291	78,265	-	1,598,556
Total capital assets being depreciated	15,319,332	133,255	-	15,452,587
Less accumulated depreciation for:				
Buildings	3,806,896	252,942	-	4,059,838
Furniture and Equipment	1,141,831	201,363	-	1,343,194
Total accumulated depreciation	4,948,727	454,305	-	5,403,032
Total capital assets being depreciated, net	10,370,605	(321,050)	-	10,049,555
Governmental activities, capital assets, net	\$ 10,549,965	(321,050)	-	10,228,915
<b>Business type activities</b>				
Furniture and Equipment	\$ 266,344	528	-	266,872
Less accumulated depreciation	197,989	8,128	-	206,117
Business type activities capital assets, net	\$ 68,355	(7,600)	-	60,755

Depreciation expense was charged to the following functions:

Governmental activities:	
Transportation	\$ 41,341
Unallocated	412,964
	<u>\$ 454,305</u>
Business type activities:	
Food service operations	<u>\$ 8,128</u>

### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Early Retirement	Total
Balance beginning of year	\$7,850,000	17,021	7,867,021
Additions	-	58,426	58,426
Reductions	465,000	17,021	482,021
Balance end of year	<u>\$7,385,000</u>	<u>58,426</u>	<u>7,443,426</u>

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$403,212, \$344,918, and \$334,849 respectively, equal to the required contributions for each year.

**(6) Risk Management**

Red Oak Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$447,347 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Bonds Payable**

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.80-4.00%	\$ 329,805	475,000	804,805
2010	4.00-4.10	310,840	495,000	805,840
2011	4.10-4.20	290,463	515,000	805,463
2012	4.20-4.30	268,645	545,000	813,645
2013	4.30-4.40	245,130	565,000	810,130
2014	4.40-4.50	220,190	590,000	810,190
2015	4.50-4.60	193,448	615,000	808,448
2016	4.60-4.70	164,965	645,000	809,965
2017	4.70-4.80	134,458	675,000	809,458
2018	4.80-4.85	101,865	715,000	816,865
2019	4.85-4.90	66,668	750,000	816,668
2020	4.90-4.90	29,400	800,000	829,400
Total		<u>\$2,355,877</u>	<u>7,385,000</u>	<u>9,740,877</u>

**(9) Interfund Transfers**

The detail of interfund transfers for the year ending June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Capital projects	\$650,000
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>162,873</u>
	Total	<u>\$812,873</u>

## **Required Supplementary Information**

# **RED OAK COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

## Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 5,537,512	217,311	5,754,823	5,789,677	5,789,677	(34,854)
State sources	6,836,732	6,243	6,842,975	7,251,269	7,251,269	(408,294)
Federal sources	470,330	310,671	781,001	719,496	719,496	61,505
Total revenues	<u>12,844,574</u>	<u>534,225</u>	<u>13,378,799</u>	<u>13,760,442</u>	<u>13,760,442</u>	<u>(381,643)</u>
<b>Expenditures:</b>						
Instruction	8,117,285	-	8,117,285	7,865,000	7,938,810	(178,475)
Support services	3,716,542	-	3,716,542	3,788,650	3,857,650	141,108
Non-instructional programs	-	544,087	544,087	512,000	512,000	(32,087)
Other expenditures	1,581,430	-	1,581,430	1,399,549	1,399,549	(181,881)
Total expenditures	<u>13,415,257</u>	<u>544,087</u>	<u>13,959,344</u>	<u>13,565,199</u>	<u>13,708,009</u>	<u>(251,335)</u>
Excess (deficiency) of revenues over (under) expenditures	(570,683)	(9,862)	(580,545)	195,243	52,433	(632,978)
Other financing sources (uses)	<u>7,783</u>	<u>-</u>	<u>7,783</u>	<u>20,300</u>	<u>20,300</u>	<u>(12,517)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(562,900)	(9,862)	(572,762)	215,543	72,733	(645,495)
Balance beginning of year	<u>2,548,261</u>	<u>366,725</u>	<u>2,914,986</u>	<u>2,481,844</u>	<u>2,481,844</u>	<u>433,142</u>
Balance end of year	<u>\$ 1,985,361</u>	<u>356,863</u>	<u>2,342,224</u>	<u>2,697,387</u>	<u>2,554,577</u>	<u>(212,353)</u>

See accompanying independent auditor's report.

## **RED OAK COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2008**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$142,810.

During the year ended June 30, 2008, expenditures exceeded the amended amounts budgeted in the instruction, non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

## **Other Supplementary Information**

## RED OAK COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SH Athletics	\$ -	73,335	65,244	8,091
SH Band	764	2,613	2,902	475
SH Drama	2,163	2,153	828	3,488
SH FBLA	2,525	9,765	10,524	1,766
SH FFA	2,595	12,182	10,068	4,709
SH FCCLA	-	2,276	2,127	149
SH Music Trip	-	16,309	16,301	8
SH FHA	2,132	-	-	2,132
SH French Club	1,237	-	-	1,237
SH General	700	6,355	4,014	3,041
SH Graduation	-	1,737	1,732	5
SH Junior Class	369	6,334	5,978	725
SH Locks	99	-	-	99
SH Media	360	80	-	440
SH Protech Class	358	-	-	358
SH Senior Class	2,487	320	1,693	1,114
SH Speech	-	632	631	1
SH Student Council	2,009	1,518	1,781	1,746
SH Towels	27	-	-	27
SH Vocal Music	11,814	17,089	22,355	6,548
SH Yearbook	16,146	11,175	5,179	22,142
SH International Club	208	-	37	171
MS Band	1,204	7,498	7,365	1,337
MS Drama	6,629	1,987	2,139	6,477
MS FHA	96	-	-	96
MS General	5,978	8,639	11,147	3,470
MS Media	1,219	2,192	1,557	1,854
MS Student Council	4,852	17,675	15,421	7,106
MS Vending	3,585	3,818	4,134	3,269
MS Yearbook	1,152	2,823	2,670	1,305
MS FCCLA	-	656	727	(71)
4-5 General	3,041	5,514	588	7,967
4-5 Media	-	675	17	658
4-5 Vending	930	1,937	1,810	1,057
K-3 Media	-	2,165	2,165	-
K-3 General	11,613	3,745	641	14,717
K-5 Media	569	9,693	10,262	-
K-12 Petty Cash	44	-	-	44
K-12 Interest	39,882	7,231	-	47,113
K-12 General	4,186	403	952	3,637
SH General Resale	7	-	-	7
Band Boosters	6,567	9,016	10,650	4,933
Student Needs	-	-	51	(51)
Love Our Kids	1,189	-	-	1,189
SH Minnisingers	1,500	285	1,674	111
Dr. F.T. Fish Memorial	-	-	-	-

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cheerleader Club	5,053	14,356	18,417	992
SH Wrestling Cheerleader Club	647	-	81	566
MS Team 6	548	-	396	152
MS Team 7	1,298	539	1,025	812
MS Team 8	561	400	344	617
SH Football Club	513	-	-	513
Basketball Resale	-	1,117	1,117	-
Tennis Resale	-	529	528	1
Band Boosters Fiesta Bowl	527	491	-	1,018
Student Needs	391	-	-	391
SH Football Resale	3,049	-	-	3,049
SH Baseball Resale	-	570	567	3
SH Letterman's Club	1,291	2,712	3,610	393
Dance Team	-	1,400	-	1,400
K-12 Special Olympics	355	-	-	355
HS Volleyball Resale	6,074	-	-	6,074
Total	<u>\$ 160,543</u>	<u>271,939</u>	<u>251,449</u>	<u>181,033</u>



## RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts

June 30, 2008

	Anderson Scholarship	Stanley Plank Scholarship	Klopping Trust	Bloom Scholarship	Lowell G. and Blanche Kinnison Scholarship	Leland Peterson Scholarship	Class of 38 Scholarship	CG & Aluia K Lingo Memorial Scholarship	Total
<b>Assets</b>									
Cash	\$ 33	10,497	23,231	20,736	5,963	4,916	717	139,755	205,848
<b>Total assets</b>	33	10,497	23,231	20,736	5,963	4,916	717	139,755	205,848
<b>Net assets</b>									
Reserved for scholarships	\$ 33	10,497	23,231	20,736	5,963	4,916	717	139,755	205,848

See accompanying independent auditor's report.

## RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2008

	Anderson Scholarship	Stanley Plank Scholarship	Klopping Trust	Bloom Scholarship	Lowell G. and Blanche Kinnison Scholarship	Leland Peterson Scholarship	Class of 38 Scholarship	CG & Aluia K Lingo Memorial Scholarship	Total
<b>Revenues:</b>									
Local sources:									
Interest on investments	\$ 1	407	902	534	870	239	5	6,731	9,689
Contributions	-	-	-	-	-	-	395	-	395
	<u>1</u>	<u>407</u>	<u>902</u>	<u>534</u>	<u>870</u>	<u>239</u>	<u>400</u>	<u>6,731</u>	<u>10,084</u>
<b>Expenditures:</b>									
Instruction:									
Regular instruction:									
Other	<u>10</u>	<u>450</u>	<u>900</u>	<u>600</u>	<u>2,639</u>	<u>1,000</u>	<u>500</u>	<u>-</u>	<u>6,099</u>
Excess (deficiency) of revenues over (under) expenditures	(9)	(43)	2	(66)	(1,769)	(761)	(100)	6,731	3,985
Balance beginning of year	<u>42</u>	<u>10,540</u>	<u>23,229</u>	<u>20,802</u>	<u>7,732</u>	<u>5,677</u>	<u>817</u>	<u>133,024</u>	<u>201,863</u>
Balance end of year	<u>33</u>	<u>10,497</u>	<u>23,231</u>	<u>20,736</u>	<u>5,963</u>	<u>4,916</u>	<u>717</u>	<u>139,755</u>	<u>205,848</u>

See accompanying independent auditor's report.

## RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,822,093	4,849,309	4,527,567	4,569,648	4,096,414
Tuition	155,224	174,615	162,978	144,052	79,707
Other	560,195	609,632	537,972	430,076	421,198
State sources	6,836,732	6,454,187	6,312,868	5,770,513	5,471,489
Federal sources	470,330	497,908	666,156	640,139	614,537
Total	<u>\$ 12,844,574</u>	<u>12,585,651</u>	<u>12,207,541</u>	<u>11,554,428</u>	<u>10,683,345</u>
Expenditures:					
Instruction	\$ 8,117,285	7,571,135	7,282,494	7,051,332	6,797,257
Support services:					
Student	361,392	346,603	314,905	299,819	360,943
Instructional staff	555,612	549,052	692,601	422,038	510,280
Administration	1,153,220	1,100,515	1,080,644	1,131,089	1,052,107
Operation and maintenance of plant	1,114,341	1,104,611	1,108,202	904,146	963,629
Transportation	531,977	456,792	338,170	345,271	258,896
Non-instructional programs:					
Food service operations	-	-	-	130	20
Community service and education	-	-	-	8,750	10,205
Other expenditures:					
Facilities acquisition	321,210	141,852	90,464	356,386	653,176
Debt Service:					
Principal	465,000	445,000	435,000	420,000	400,000
Interest and service charges	347,873	363,668	377,781	390,510	402,560
AEA flowthrough	447,347	426,129	410,392	379,179	376,524
Total	<u>\$ 13,415,257</u>	<u>12,505,357</u>	<u>12,130,653</u>	<u>11,708,650</u>	<u>11,785,597</u>

See accompanying independent auditor's report.

## RED OAK COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY08	\$ 61,868
Food Distribution (non-cash)	10.555	FY08	27,418
National School Lunch Program	10.555	FY08	221,385
			<u>310,671</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5463-G-08	209,991
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY08	4,721
Enhancing Education Through Technology	84.318	FY08	3,460
Innovative Education Program Strategies (Title V) Program	84.298	FY08	2,386
Improving Teacher Quality - Grants to States	84.367	FY08	54,806
Grants for Assessments and Related Activities	84.369	FY08	8,715
Reading First - State Grants	84.357	FY08	18,154
Vocational Education - Basic Grants to States	84.048	FY08	36,843
Green Valley Area Education Agency:			
Special Education - Grants to States (IDEA Part B)	84.027	FY08	<u>74,543</u>
Total			<u>\$ 724,290</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Red Oak Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of  
Red Oak Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Red Oak Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red Oak Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Red Oak Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Red Oak Community School District's financial statements that is more than inconsequential will not be prevented or detected by Red Oak Community School District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Red Oak Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-II-A, is a material weakness.

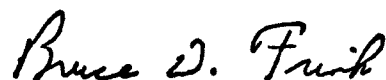
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Red Oak Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 24, 2009

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Red Oak Community School District:

#### Compliance

We have audited the compliance of Red Oak Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Red Oak Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Red Oak Community School District's management. Our responsibility is to express an opinion on Red Oak Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Red Oak Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Red Oak Community School District's compliance with those requirements.

In our opinion Red Oak Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Red Oak Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Red Oak Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over compliance.

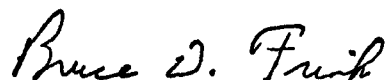
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a material weakness.

Red Oak Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Red Oak Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 24, 2009



**RED OAK COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational AgenciesSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Red Oak Community School District did not qualify as a low-risk auditee.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

08-II-A      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

CFDA Number: 84.010 Title I Grants to Local Educational Agencies

Grant Numbers: 5463-G-08

Federal Award Year: 2008

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2008

US Department of Agriculture

Passed through Iowa Department of Education

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part III: Findings For Federal Awards:**

**(continued):**

08-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult than the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

08-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-IV-B Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the instruction, non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-IV-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

08-IV-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Schmid Construction Husband of Board President	Remodeling	\$4,900

The transaction with Schmid Construction was properly bid and thus does not violate Iowa Code regarding business transactions with board members.

Recommendation - We recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

08-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-IV-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

08-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.